Exhibit 178

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SEC Report of Investigation Concludes that DAO Tokens Were Securities

By David Stein & Mike Nonaka on July 27, 2017

On July 25, 2017, the Securities and Exchange Commission ("SEC") issued a **Report of Investigation** ("Report") finding that the digital tokens offered and sold by the virtual, unincorporated organization known as "The DAO" were securities subject to the federal securities laws. The DAO sold DAO tokens in exchange for the digital currency Ether used on the Ethereum blockchain. The DAO expected to use the estimated $150,000,000 in Ether it raised to fund digital projects, while purchasers of the DAO tokens expected a return on their investment by sharing in the earnings from the funded projects. Holders of DAO tokens could also re-sell their tokens on a number of web-based platforms that supported secondary market trading in DAO tokens.

The DAO is an early example of an Initial Coin Offering ("ICO"), a type of crowdfunding in which investors purchase digital "coins" or "tokens" distributed via blockchain/distributed

several factors the SEC will consider in determining whether a given digital asset constitutes a security. Although the SEC declined to bring an enforcement action in this instance, it noted that parties transacting in DAO tokens may be liable for violations of federal securities laws, and further that exchanges which provide for trading in DAO tokens must register with the SEC unless they are otherwise exempt. The SEC cautioned market participants that other offers and sales of digital assets may be subject to federal securities laws, depending on the characteristics of each asset, along with the facts and circumstances surrounding their offer and sale.

The SEC found that DAO tokens were securities – more specifically that they were investment contracts. As the SEC noted in the Report, federal securities law treats an investment contract as "an investment of money in a common enterprise with a reasonable expectation of profits to be derived from the entrepreneurial or managerial expertise of others." *See SEC v. Edwards,* 540 U.S. 389, 393 (2004); *SEC v. W.J. Howey Co.,* 328 U.S. 293, 301 (1946). In reaching its determination, the SEC made the following findings:

- The purchase of DAO tokens with Ether was "an investment of money," as it constituted the contribution of value that can create an investment contract.
- Promotional materials told investors that the DAO was for-profit, and would offer a return on money invested.
- DAO tokenholders' profits derived from the managerial efforts of others. The founders held themselves out as experts in investing on the Ethereum blockchain, leading investors to believe they could be relied upon for success. The DAO's "Curators" held significant power over the operations of the DAO. Consequently, the founders and "Curators" played roles essential to the success or failure of the enterprise.
- DAO tokenholders' rights were limited. They were substantially reliant on the managerial efforts of the founders and Curators. Furthermore, DAO tokenholders were widely dispersed and had limited means of communication, which weakened

constructively engage with the SEC and ensure that they are in compliance with the relevant securities laws.